

## Message Text

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PAGE 01 MANILA 08947 261007Z

13

ACTION TRSE-00

INFO OCT-01 EA-11 ISO-00 SP-03 AID-20 EB-11 NSC-07 RSC-01

CIEP-03 SS-20 STR-08 OMB-01 CEA-02 CIAE-00 COME-00

FRB-03 INR-11 NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01

L-03 H-03 PA-04 PRS-01 USIA-15 DRC-01 AGR-20 /175 W

----- 129726

P R 260900Z JUL 74

FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 5553

INFO AMEMBASSY WELLINGTON

AMEMBASSY SUVA UNN

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USADB

FOR NAC AGENCIES

E.O. 11652: DECLASS 10/31/74

TAGS: EAID, EFIN, TN

SUBJ: PROPOSED ADB TECHNICAL ASSISTANCE TO TONGA FOR PLAN  
PREPARATION AND PROJECT IDENTIFICATION PROJECT

SUMMARY: ADB MANAGEMENT PROPOSES \$252,000 EQUIVALENT  
GRANT TO KINGDOM OF TONGA TO FINANCE FOREX COST OF  
TECHNICAL ASSISTANCE (TA) TO COVER SYSTEMATIC REVIEW  
OF COUNTRY'S ECONOMIC RESOURCES, FORMULATION OF NEXT  
DEVELOPMENT PLAN, IDENTIFICATION AND PREPARATION OF  
PROJECTS SUITABLE FOR EXTERNAL FINANCE AND ESTABLISHMENT  
OF PLANNING UNIT. USADB RECOMMENDS FAVORABLE NAC ACTION.

1. ADB DOC R70-74 DESCRIBING PROPOSED GRANT POUCHED  
ADDRESSEES JULY 26. BOARD CONSIDERATION SCHEDULED AUG 15.

2. ADB MANAGEMENT PROPOSING \$252,000 GRANT TO KINGDOM  
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PAGE 02 MANILA 08947 261007Z

OF TONGA. PROCEEDS WILL FINANCE FOREX COST OF TA FOR

SYSTEMATIC REVIEW OF COUNTRY'S ECONOMIC RESOURCES, FORMULATION OF NEXT FIVE-YEAR DEVELOPMENT PLAN, IDENTIFICATION AND PREPARATION OF PROJECTS SUITABLE FOR EXTERNAL FINANCE AND ESTABLISHMENT OF PLANNING UNIT.

3. TONGA IS AT EARLY STAGE OF DEVELOPMENT, AND ECONOMY IS HEAVILY DEPENDENT ON PLANTATION AGRICULTURE (MAINLY COCONUT AND BANANA). MANUFACTURING SECTOR CONSISTS LARGELY OF HANDICRAFTS. TOURISM IS GAINING IMPORTANCE AND HOLDS PROSPECTS FOR FURTHER DEVELOPMENT. OTHER POSSIBILITIES FOR DIVERSIFICATION ARE FISHERIES AND AGRO-BASED INDUSTRIES.

4. ONLY GOVT OFFICIAL ATTENDING TO DAY-TO-DAY WORK OF PLAN IMPLEMENTATION IS ONE DEVELOPMENT OFFICER (CURRENTLY U.K. EXPATRIATE) WORKING UNDER MINISTER OF FINANCE, WHO IS ESSENTIALLY IN CHARGE OF BUDGETING AND ACCOUNTING ASPECTS. PRESENT PLANNING SET-UP CANNOT ADEQUATELY COPE WITH REQUIREMENTS OF FORMULATING PLANS, EVOLVING ECONOMIC POLICY AND ASSESSING ITS RESULTS, PREPARING AND APPRIASING PROJECTS, FOLLOWING UP PLAN IMPLEMENTATION AND EVALUATING PROJECTS.

5. IN PAST, PLAN PREPARATION HAS BEEN ENTRUSTED TO SHORT-TERM FOREIGN ADVISORS UNDER TA FROM UNITED KINGDOM. TONGA HAS COMPLETED FIRST FIVE YEAR PLAN (FY 1965/66-1969/70) AND IS NOW IN LAST YEAR OF SECOND PLAN (1970/71-1974/75). BOTH PLANS POINTED OUT SOME BROAD DEVELOPMENT OBJECTIVES AND DIRECTIONS, BUT WERE LACKING IN POSITIVE GUIDANCE AND COHESIVE STRATEGY FOR ACHIEVING ECONOMIC PROGRESS AND WERE GENERALLY NOT SUPPORTED BY PROJECT PREPARATORY WORK. ONE OF CONSTRAINTS TO BANK'S OPERATIONS IN TONGA HAS BEEN SHORTAGE OF SOUND PROJECTS. TO DATE BANK HAS APPROVED TWO PROJECTS FOR TONGA: \$1.3 MILLION SPECIAL FUNDS LOAN IN NOV 1973 FOR TELECOMMUNICATIONS PROJECT AND \$130,000 TA IN MARCH 1974 FOR ROAD MAINTENANCE AND IMPROVEMENT STUDY IN WHICH BANK IS ACTING AS EXECUTING AGENCY FOR UNDP.

6. PROPOSED TA COVERS (A) FORMULATION OF NEXT FIVE-YEAR DEVELOPMENT PLAN DUE TO START IN JULY 1975, (B) IDENTIFICATION OF POTENTIAL PROJECTS INCLUDING THOSE SUITABLE FOR EXTERNAL FINANCING AND ASSESSMENT OF THEIR VIABILITY, AND (C) ESTABLISHMENT OF PLANNING UNIT OF SIZE AND CHARACTER CONSISTENT WITH NEEDS OF COUNTRY, INCLUDING PROVISION OF SOME TRAINING TO UNIT IN ACTUALLY IMPLEMENTING NEW PLAN. SENIOR PLANNING ECONOMIST WOULD BE RECRUITED INITIALLY TO STAY IN TONGA FOR 12-MONTH PERIOD TO DRAW UP BASIC FRAMEWORK OF PLAN, AND ASSESS AND RECOMMEND

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PAGE 03 MANILA 08947 261007Z

TION OF POTENTIAL PROJECTS INCLUDING THOSE SUITABLE FOR EXTERNAL FINANCING AND ASSESSMENT OF THEIR VIABILITY, AND (C) ESTABLISHMENT OF PLANNING UNIT OF SIZE AND CHARACTER CONSISTENT WITH NEEDS OF COUNTRY, INCLUDING PROVISION OF SOME TRAINING TO UNIT IN ACTUALLY IMPLEMENTING NEW PLAN. SENIOR PLANNING ECONOMIST WOULD BE RECRUITED INITIALLY TO STAY IN TONGA FOR 12-MONTH PERIOD TO DRAW UP BASIC FRAMEWORK OF PLAN, AND ASSESS AND RECOMMEND

REQUIREMENTS FOR ADDITIONAL EXPERTISE FOR FURTHER WORK, ESPECIALLY RE DETAILED RESOURCE EVALUATION, SECTORAL ANALYSIS AND PROJECTIONS, AND IDENTIFICATION AND PREPARATION OF PROJECTS. SUBJECT TO CONCURRENCE OF GOVT AND BANK, A TOTAL OF 21 MAN-MONTHS OF SUCH EXPERT SERVICES MAY BE UTILIZED IN SUCH FIELDS AS AGRICULTURE, FISHERIES, SMALL INDUSTRIES, TOURISM AND TRANSPORT, AND CIVIL ENGINEERING UNDER DIRECTION AND SUPERVISION OF SENIOR PLANNING ECONOMIST. MINISTER OF FINANCE WOULD REPRESENT GOVT IN COORDINATING TA WORK.

7. TOTAL PROJECT COST IS ESTIMATED AT \$282,000, INCLUDING \$252,000 IN FOREIGN EXCHANGE AND LOCAL CURRENCY EQUIVALENT OF \$30,000. SINCE PROPOSED TA IS OF ADVISORY NATURE TO ONE OF SMALLEST AND LEAST DEVELOPED MEMBER COUNTRIES, BANK MANAGEMENT RECOMMENDS THAT FOREX COST BE FINANCED ON NON-REIMBURSABLE BASIS. GOVT HAS AGREED TO PROVIDE FOR NECESSARY LOCAL CURRENCY COST.

8. PROPOSED TA AIMS AT PREPARING THIRD FIVE-YEAR PLAN (JULY 1975-JUNE 1980) AS SOUND DEVELOPMENT FRAMEWORK FOR MORE EFFICIENT ECONOMIC PERFORMANCE AND STRENGTHENING GOVT'S SET-UP FOR PLAN IMPLEMENTATION. GOVT HAS ACCORDED HIGH PRIORITY TO TA IN VIEW OF ITS IMPORTANCE TO TONGA'S FUTURE ECONOMIC DEVELOPMENT. USADB SUPPORTS PROPOSAL AND RECOMMENDS FAVORABLE NAC ACTION.

9. REQUEST SUVA'S COMMENDS FOR NAC AGENCIES, INFO USADB MANILA, PURSUANT TO STATE 119795 DTD 3 JULY 1972.

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## Message Attributes

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